

Date of Hearing: April 25, 2023

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Mike Fong, Chair
AB 247 (Muratsuchi, et al.) – As Amended April 3, 2023

SUBJECT: Education finance: school facilities: Kindergarten Through Community College Public Education Facilities Bond Act of 2024.

SUMMARY: Places the Kindergarten-Community Colleges Public Education Facilities Bond Act of 2024 on the unspecified 2024 statewide ballot, to be operative only if approved by voters at the election. Specifically, **this bill:**

- 1) Establishes the Kindergarten Through Community College Public Education Facilities Bond Act of 2024. Authorizes bonds, in an unspecified amount, to be issued and sold. Requires the bonds, when sold, issued, and delivered, to be and constitute a valid and binding obligation of the State of California, and pledges the full faith and credit of the State of California for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable.
- 2) Establishes the 2024 California Community College (CCC) Capital Outlay Bond Fund in the State Treasury for deposit of funds from the proceeds of bonds issued and sold for the purposes of this chapter.
- 3) Appropriates from the General Fund in the State Treasury an amount that equals the total of the following:
 - a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable; and,
 - b) The sum necessary to carry out Section 101449 (pursuant to (7) below), appropriated without regard to fiscal years
- 4) Requires, from the proceeds of bonds issued and sold for an unspecified amount, to be deposited in the 2024 CCC Capital Outlay Bond Fund for purposes of this chapter.
- 5) Authorizes proceeds from the sale of bonds issued and sold to be used to fund construction on existing campuses, including the construction of buildings and the acquisition of related fixtures; construction of intersegmental facilities; the renovation and reconstruction of facilities; site acquisition; the equipping of new, renovated, or reconstructed facilities. Requires the equipment to have an average useful life of 10 years; and to provide funds for the payment of preconstruction costs, including, but not limited to, preliminary plans and working drawings for facilities of the CCC.
- 6) Authorizes the Higher Education Facilities Finance Committee to create a debt or debts, liability or liabilities, of the State of California for the purpose of providing funds to aid the CCC.

- 7) Authorizes the Director of Finance to be able to withdraw from the General Fund of an amount not to exceed the amount of the unsold bonds, excluding any refunding bonds, as specified, less any amount loaned and not yet repaid pursuant to this section and withdrawn from the General Fund, as specified and not yet returned, that have been authorized by the Higher Education Facilities Finance Committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn must be deposited in the 2024 CCC Capital Outlay Bond Fund consistent with this chapter. Any money made available, as specified, must be returned to the General Fund, plus an amount equal to the interest that the money would have earned in the Pooled Money Investment Account, from proceeds received from the sale of bonds for purposes of carrying out this chapter.
- 8) Stipulates that proceeds from the sale of bonds issued and sold to be used to fund construction on existing CCC campuses, including the construction of buildings and the acquisition of related fixtures, construction of facilities that may be used by more than one segment of public higher education (intersegmental), the renovation and reconstruction of facilities, site acquisition, the equipping of new, renovated, or reconstructed facilities, which equipment will have an average useful life of 10 years, and to provide funds for the payment of preconstruction costs, including, but not limited to, preliminary plans and working drawings for CCC facilities.
- 9) Requires the Higher Education Facilities Finance Committee, as specified, to authorize the issuance of bonds under this chapter only to the extent necessary to fund the related apportionments for specified purposes that are expressly authorized by the Legislature in the annual Budget Act. Pursuant to that legislative direction, the Committee shall determine by resolution whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to carry out the purposes described in this chapter and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.
- 10) Designates “board,” for purposes of the State General Obligation Bond Law, as each state agency administering an appropriation of the 2024 Community College Capital Outlay Bond Fund for projects funded.
- 11) Requires that all moneys deposited in the 2024 CCC Capital Outlay Bond Fund that are derived from premium and accrued interest on bonds sold, as specified, must be reserved in the fund and be available for transfer to the General Fund as a credit to expenditures for bond interest, except those amounts derived from premium may be reserved and used to pay the cost of the bond issuance before any transfer to the General Fund.
- 12) Requires the State Treasurer to sell the bonds authorized by the Higher Education Facilities Finance Committee at any different times necessary to service expenditures required by the apportionments.
- 13) Stipulates that any request forwarded to the Legislature and the Department of Finance for funds from this bond issue for expenditure for the purposes described in this chapter by the CCC must be accompanied by the five-year capital outlay plan that reflects the needs and priorities of the community college system and is prioritized on a statewide basis. Requests must include a schedule that prioritizes the seismic retrofitting needed to significantly reduce,

in the judgment of the particular college, seismic hazards in buildings identified as high priority by the college.

- 14) States that the provisions of this act are severable. Requires if any provision of this act or its application is held invalid, that invalidity to not affect other provisions or applications that can be given effect without the invalid provision or application.

EXISTING LAW:

- 1) Stipulates that the Legislature shall not, in any manner create any debt or debts, liability or liabilities, which shall, singly or in the aggregate with any previous debts or liabilities, exceed \$300,000 unless enactment has been passed by a two-thirds vote of all the members elected to each house of the Legislature and until, at a general election or at a direct primary, it shall have been submitted to the people and shall have received a majority of all the votes cast for and against it at such election (California Constitution, Article XVI, Section 1).
- 2) Requires the CCC Chancellor's Office to prepare a five-year capital outlay plan identifying the CCC's statewide needs and priorities (Education Code (EC) Section 67501).
- 3) The Kindergarten Through Community College Public Education Facilities Bond Act of 2016, approved by the voters in November 2016 (Proposition 51), authorized \$9 billion state general obligation bonds for K-12 facilities (\$7 billion) and CCC facilities (\$2 billion) (EC Section 101110, et seq.).
- 4) Requires the Governor to annually submit to the Legislature, in conjunction with the Governor's Budget, a proposed five-year infrastructure plan, which among other things, shall include the instructional and support facilities needs of the CCC (Government Code Section 13102).

FISCAL EFFECT: Unknown

COMMENTS: *Double referral.* This measure was heard in the Assembly Committee on Education, where it passed with a 7-0 vote on April 12, 2023. Issues germane to the Education Committee's jurisdiction are referenced in that Committee's analysis.

Purpose of the measure. According to the author, "as a former school board member, and a parent of a child in public schools, I appreciate how integral a school's physical environment is to a student's achievement and motivation. AB 247 will provide much needed funds to repair and upgrade our schools. Voters have historically supported bonds as the state's commitment for our children's schools. I believe that they will again with this proposal."

Background. Since the late 1980s, the Legislature has placed on the ballot, and voters have approved bonds for public elementary, secondary, and postsecondary education every two to four years. Over time, this rate was reduced, bringing us to 2006, when obligation bond Proposition 1D (AB 127, Núñez and Perata, Chapter 35, Statutes of 2006), was approved by voters in November 2006, authorizing the sale of \$10.4 billion in general obligation bonds of which \$3.087 billion was earmarked for higher education facilities. Of this amount, \$1.5 billion was provided for CCC facilities, \$890 million was provided for the University of California, and \$690 million was provided for the California State University. All Proposition 1D higher education facilities funds have since been depleted.

Ten years would pass before the passage of the next statewide general obligation bond, Proposition 51; approved by voters in November 2016. Proposition 51 authorized a total of \$9 billion in state general obligation bond funds with \$7 billion for K-12 education facilities and \$2 billion for CCC facilities.

Of the \$7 billion for K-12 education, \$3 billion was set aside for new construction, \$3 billion for modernization, and \$1 billion for charter schools and vocational education facilities.

Due to the Great Recession and the deterioration of the state’s fiscal condition, legislation needed to authorize the education bonds was not enacted. Instead, since 2008, the higher education segments have received capital funding from lease-revenue bonds through the Annual Budget Acts; however, these funds have met less than half of the segments' capital needs. Bond funds, whether lease-revenue or general obligation, are allocated through the budget process in accordance with the segments' five-year capital facility plans.

Furthermore, in November 2012, California voters approved Proposition 39 to close a corporate tax loophole and increase the state’s annual corporate tax revenues by as much as \$1.1 billion. Proposition 39 specified that half of the revenue generated from 2013-2018, up to \$550 million, should support energy efficiency and alternative energy projects at public schools, colleges, universities and other public buildings, as well as related public-private partnerships and workforce training.

Lastly, Proposition 13 (AB 48, O’Donnell and Glazer, Chapter 530, Statutes of 2019), placed the \$15 billion Public Preschool, K-12, and College Health and Safety Bond Act of 2020 on the March 2020 statewide ballot. California voters did not adopt Proposition 13 during the Statewide Primary Election on March 3, 2020; the provisions did not take effect.

The chart below depicts the outcomes of the most recent obligation bonds for public elementary, secondary (K-12), and postsecondary (higher education) education facilities:

Ballot	Measure	Amount	% Support
November 1998	Proposition 1A	\$ 9.2 billion (\$6.7 billion K-12 + \$2.5 billion Higher Education)	62.5
November 2002	Proposition 47	\$13.05 billion (\$11.4 billion K-12 + \$1.65 billion Higher Education)	59.1
March 2004	Proposition 55	\$12.3 billion (\$10 billion K-12 + \$2.3 billion Higher Education)	50.9
November 2006	Proposition 1D	\$10.416 billion (\$7.329 K-12 + \$3.087 billion Higher	56.9

		Education)	
November 2016	Proposition 51	\$9 billion (\$7 billion K-12 + \$2 billion CCC)	55.2
March 2020	Proposition 13	\$15 billion (\$9 billion K-12 + \$6 billion Higher Education)	47.0

The CCC Facility Needs. The 2022-2023 Five-Year Capital Outlay Plan (Five-Year Plan) for the CCC covers the period from 2022-2023 through 2026-2027, and totals \$23.2 billion (see Table 1, Section B). This amount includes \$9 billion for construction of new facilities for enrollment growth and \$14.2 billion for modernization of existing facilities.

In addition to capital facility needs, the CCC has deferred needs to future years totaling \$6.7 billion (see Table 1, Section C). This amount includes \$4.7 billion of out-year costs for continuing phases of projects started within the Five-Year Plan period and \$2 billion carried over into subsequent plan years, primarily for modernization projects. Refer to Table 2 to understand how these deferred facilities needs and costs are distributed.

Currently, the total unmet facilities needs for the CCC are approximately \$29.9 billion for the five-year period of this plan (see Table 1, Section A).

Table 1A Unmet Facilities Needs

Category	Assignable Square Feet	Costs
New Facilities for Enrollment Growth	4,940,714	\$9,282,150,000
Modernization of Existing Facilities	31,288,371	\$20,597,715,000
Total Unmet Needs	36,229,085	\$29,879,865,000

Table 1B Proposed Facilities in Five-Year Plan

Category	Assignable Square Feet	Costs
New Facilities for Enrollment Growth	6,292,225	\$8,985,551,000
Modernization of Existing Facilities	26,758,607	\$14,234,436,000
Total Proposed Facilities	33,050,832	\$23,219,987,000

Table 1C Deferred Facilities Needs

Category	Assignable Square Feet	Costs
New Facilities for Enrollment Growth	—	\$1,487,364,000
Modernization of Existing Facilities	3,178,253	\$5,172,514,000
Total Deferred Needs	3,178,253	\$6,659,878,000

Table 2A Continuing Phases of Projects Started in Plan

Category	Assignable Square Feet	Costs
New Facilities for Enrollment Growth	N/A	\$1,487,364,000
Modernization of Existing Facilities	N/A	\$3,174,960,000
Total Continuing Phases	N/A	\$4,662,324,000

Table 2B Need Carryover

Category	Assignable Square Feet	Costs
New Facilities for Enrollment Growth	—	\$—
Modernization of Existing Facilities	3,178,253	\$1,997,554,000
Total Need Carryover	3,178,253	\$1,997,554,000

Table 2C Total Deferred Needs

Category	Assignable Square Feet	Costs
New Facilities for Enrollment Growth	N/A	\$1,487,364,000
Modernization of Existing Facilities	3,178,253	\$5,172,514,000
Total Deferred Needs	3,178,253	\$6,659,878,000

The Five-Year Plan Report specifies that the estimated \$29.9 billion of the CCCs systemwide total unmet facilities needs and costs is conservative. The cost estimates used to determine systemwide needs are potentially understated in the following ways:

- 1) The average includes less expensive space types, while the facilities needed by the CCC are projected to include the more expensive space types (e.g., laboratory and library space).
- 2) Site development costs are not included in the cost estimates as they vary substantially from project to project.
- 3) For the statewide modernization projects, the CCC Chancellor's Office assumes that buildings more than 25 years old will be modernized at 75% of the cost of a new building. Since many CCCs' buildings are more than 30 years old, it is likely that many of the buildings will need to be demolished and replaced at a significantly greater cost rather than if they were to be remodeled.

The state has typically issued general obligation bonds to cover a portion of the cost of community college facility projects; however, the bulk of community college facility costs are covered with locally-approved general obligation bonds. Districts currently must get at least 55% of their voters to approve these local bonds. Since 1998, when the voting threshold for local (K-14) facility bonds was reduced from two-thirds, voters have approved 122 of 142 (86%) of local CCC bond measures, which have authorized \$39.1 billion in bonds for 68 of the 73 community college districts.

Committee comments. As currently drafted, this measure does not specify the total amount of the education facilities bond nor does it specify which 2024 statewide election the measure would be on the ballot.

Moving forward, the author may wish to continue to work with the various stakeholder groups in order to provide the bond amount and clarify if the measure would appear on the 2024 statewide primary or general election.

Arguments in support. According to the Community College Facility Coalition (CCFC), “the state’s community college capital outlay program has a proven history of success, and AB 247 would continue the important partnership between the state and local communities. Voters approved the last state school bond, Proposition 51, in 2016, which provided \$2 billion for community college capital outlay projects.”

Further, the CCFC states that, “there is no remaining bond authority from Proposition 51 to allocate to new community college projects. The capital outlay program prioritizes health and safety issues, such as seismic retrofits and utility infrastructure upgrades. It also helps districts construct and renovate both instructional and institutional support spaces, ensuring students have the support to reach their educational goals. A new bond is an important investment in California’s future and a robust 21st Century education for our students.”

Related legislation. SB 28 (Glazer), which is pending action by the Senate Committee on Appropriations, would place the Public Preschool, K-12, and College Health and Safety Bond Act on the ballot for the March 2024 statewide primary election.

Prior legislation. Several bond measures have been proposed since 2006 to fund higher education facilities. The most recent of these are:

AB 75 (O'Donnell) of 2021, which was held in the Senate Committee on Education, placed the Kindergarten-Community Colleges Public Education Facilities Bond Act of 2022 on the 2022 statewide ballot, to be operative only if approved by voters at the election

AB 48 (O'Donnell and Glazer), Chapter 530, Statutes of 2019, which was substantially similar to SB 22 (as referenced below), placed the \$15 billion Public Preschool, K-12, and College Health and Safety Bond Act of 2020 on the March 2020 statewide ballot.

California voters did not adopt the measure during the Statewide Primary Election on March 3, 2020; the provisions did not take effect.

SB 22 (Glazer), of 2021, which, was held by the Assembly Committee on Education, would place the Public Preschool, K-12, and College Health and Safety Bond Act of 2022 on an unspecified statewide election in 2022. The Bond Act would be for \$15 billion.

AB 13 (Eggman) of 2019, which was held by this Committee, placed the Higher Education Facilities Bond Act of 2020 on the November 3, 2020, Statewide General Election. The measure proposed \$2 billion for University of California (UC) facilities, \$2 billion for California State University (CSU) facilities and \$3 billion for new CSU campuses.

SB 14 (Glazer) of 2019, which died in the Assembly Rules Committee, placed the Higher Education Facilities Bond Act of 2020 on the March 3, 2020 Statewide Primary Election. The measure proposed \$4 billion each for UC and CSU facilities.

AB 2771 (Eggman, et al.) of 2018, which died on the Senate Floor, in part, enacted a \$7 billion general obligation bond for higher education facilities, to be considered by the voters at the November 2018 ballot.

SB 1225 (Glazer and Allen) of 2018, which died on the Assembly Floor, proposed a \$4 billion general obligation bond measure for UC, CSU and Hastings to be placed on the November 2018 statewide ballot.

SB 483 (Glazer and Allen) of 2017, which was held on the Suspense File in the Senate Appropriations Committee, proposed a \$2 billion bond for the November 2018 ballot facilities at UC, CSU, and Hastings.

AB 148 (Holden) of 2015, which was held on the Suspense File in the Assembly Appropriations Committee, would have placed the K-14 School Investment Bond Act of 2016 with unspecified dollar amounts on the November 8, 2016 statewide ballot.

AB 1088 (O'Donnell) of 2015, which was held on the Suspense File in the Assembly Appropriations Committee, authorized an unspecified amount of bonds for school districts, county superintendents of schools, county boards of education, charter schools, the CCC, CSU, Hastings, and UC.

AB 1433 (Gray) of 2015, which was held on the Suspense File in the Assembly Appropriations Committee, would have placed the Recommitment to Higher Education Bond Act of 2016 with unspecified amounts for higher education facilities on the November 8, 2016 Statewide General Election.

SB 114 (Liu) of 2015, which failed passage on the Senate Floor, would have placed the Kindergarten Through Grade 12 Public Education Facilities Bond Act of 2016 with unspecified dollar amounts on the November 8, 2016 ballot.

REGISTERED SUPPORT / OPPOSITION:

Support

A Voice for Choice Advocacy
Antelope Valley Community College District
Associated Builders and Contractors of California
Association of California Construction Managers
Association of California School Administrators
Beaumont Unified School District
California Association of School Business Officials (CASBO)
California Association of Suburban School Districts
California Building Industry Association (CBIA)
California Community Colleges Chancellor's Office
California County Superintendents
California School Boards Association
California School Employees Association
California Solar & Storage Association
Capistrano Unified School District
Castro Valley Unified School District
Central Valley Education Coalition
Citrus College
Coalition for Adequate School Housing (CASH)
Community College Facility Coalition
Contra Costa Community College District
Corona-Norco Unified School District
County School Facilities Consortium
Delta Kappa Gamma International - Chi State
Dreiling Terrones Architecture
Fallbrook Union High School District
Huntington Beach City School District
Jurupa Unified School District
Kern Community College District
Los Angeles County Superintendent of Schools, Dr. Debra Duardo
Los Angeles Unified School District
Mt. San Antonio College
Mt. San Jacinto Community College District
New Haven USD
North Orange Community College District
Oakland Unified School District

Office of The Riverside County Superintendent of Schools
Orange County Department of Education
Peralta Community College District
Placer Union High School District
Riverside County Public K-12 School District Superintendents
Riverside Unified School District
San Benito High School District
San Bernardino Community College District
San Diego Unified School District
State Building and Construction Trades Council of CA
T.H.E. Health and Wellness Centers
Temecula Valley Unified School District
Torrance Unified School District
Trinity County Office of Education
Van Pelt Construction Services
Windsor Unified School District
Winters Joint Unified School District
Yuba Community College District
One Individual

Opposition

None on file.

Analysis Prepared by: Jeanice Warden / HIGHER ED. / (916) 319-3960